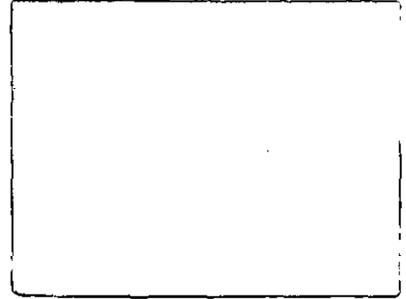


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**FRANKLIN ASSOCIATION  
FOR RETARDED CITIZENS, INC.**

**Financial Statements  
June 30, 2004 and 2003**

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 1-26-05

**FRANKLIN ASSOCIATION FOR RETARDED CITIZENS, INC.**

**JUNE 30, 2004 AND 2003**

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Hulsey, Harwood & Co.

A Professional Accounting Corporation

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**Certified Public Accountants**

## INDEPENDENT AUDITOR'S REPORT

The Board of Directors  
Franklin Association for Retarded Citizens, Inc.  
Winnsboro, Louisiana

We have audited the accompanying statement of financial position of Franklin Association for Retarded Citizens, Inc. (a nonprofit organization) (the Association) as of June 30, 2004, and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of the Association's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and the *Louisiana Governmental Audit Guide* issued by the society of Louisiana Certified Public Accountants and the Louisiana Legislative Auditor. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Association as of June 30, 2004, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 13, 2004 on our consideration of the Association's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was performed for the purpose of forming an opinion on the basic financial statements of the Association taken as a whole. The accompanying schedule of expenditures of federal awards and related notes are presented for purposes of additional analysis as required by United States Office of

Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

*Hulsey, Harwood & Co.*

December 13, 2004

**FRANKLIN ASSOCIATION FOR RETARDED CITIZENS, INC.**  
**STATEMENTS OF FINANCIAL POSITION**

	June 30,	
	2004	2003
<b>ASSETS</b>		
Cash	\$ 82,532	\$ 106,053
Accounts Receivable	17,954	13,955
Prepaid Expenses	1,786	1,767
Land, Buildings and Equipment	169,425	169,425
Accumulated Depreciation	(101,705)	(86,290)
<b>TOTAL ASSETS</b>	<b>\$ 169,992</b>	<b>\$ 204,910</b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>Liabilities</b>		
Accounts Payable	\$ 2,232	\$ 2,768
Payroll Taxes Payable	2,316	438
Capital Lease Payable (Note 6)	42,218	55,023
Total Liabilities	46,766	58,229
<b>Net Assets</b>		
Unrestricted	122,876	146,031
Temporarily Restricted	350	650
Total Net Assets	123,226	146,681
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 169,992</b>	<b>\$ 204,910</b>

The accompanying notes are an integral part of these financial statements.

**FRANKLIN ASSOCIATION FOR RETARDED CITIZENS, INC.**  
**STATEMENTS OF ACTIVITIES**

	Years Ended June 30,	
	2004	2003
<b>UNRESTRICTED NET ASSETS</b>		
<b>Public Support</b>		
Intergovernmental	\$ 183,306	\$ 197,499
Membership	-	405
Donations	407	190
Total Public Support	183,713	198,094
<b>Revenue</b>		
Sales and Service Fees	15,844	16,539
Gain on Sale of Assets	-	1,500
Total Other Revenues	15,844	18,039
<b>Other Support</b>		
Net Assets Released from Time Restrictions	300	300
Total Public Support and Revenue and Other Support	199,857	216,433
<b>Expenses</b>		
Program Services:		
Vocational Training	159,225	134,459
Bertha Nelson Work Activity Center	9,554	9,450
Total Program Services	168,779	143,909
Supporting Services:		
Management and General	54,233	51,458
Total Expenses	223,012	195,367
<b>Increase (Decrease) in Unrestricted Net Assets</b>	(23,155)	21,066
<b>TEMPORARILY RESTRICTED NET ASSETS</b>		
Net Assets Released from Time Restrictions	(300)	(300)
<b>Decrease in Temporarily Restricted Net Assets</b>	(300)	(300)
<b>Increase (Decrease) in Net Assets</b>	(23,455)	20,766
<b>Net Assets at Beginning of Year</b>	146,681	125,915
<b>NET ASSETS AT END OF YEAR</b>	\$ 123,226	\$ 146,681

The accompanying notes are an integral part of these financial statements.

**FRANKLIN ASSOCIATION FOR RETARDED CITIZENS, INC.**  
**STATEMENTS OF FUNCTIONAL EXPENSES**  
**YEARS ENDED JUNE 30, 2004 AND 2003**

	2004				
	Program Services				
	Bertha Nelson Work Activity Center		Total	Supporting Services Management and General	Total Expenses
	Vocational Training	Total	Total	Management and General	Total Expenses
Salaries	\$ 69,860	\$ 6,012	\$ 75,872	\$ 38,610	\$ 114,482
Payroll Taxes	5,337	-	5,337	2,954	8,291
Employee Benefits	15,226	-	15,226	6,125	21,351
Total Salaries and Related Expenses	90,423	6,012	96,435	47,689	144,124
Food	-	3,542	3,542	-	3,542
Insurance	25,142	-	25,142	-	25,142
Interest	4,972	-	4,972	-	4,972
Maintenance & Repairs	2,088	-	2,088	-	2,088
Miscellaneous	-	-	-	133	133
Office Supplies and Postage	1,047	-	1,047	-	1,047
Professional Fees	-	-	-	6,411	6,411
Rent	2,400	-	2,400	-	2,400
Supplies	298	-	298	-	298
Taxes and Licenses	57	-	57	-	57
Telephone	513	-	513	-	513
Training	3,371	-	3,371	-	3,371
Travel	425	-	425	-	425
Utilities	4,364	-	4,364	-	4,364
Vehicle Expense	8,710	-	8,710	-	8,710
Total	143,810	9,554	153,364	54,233	207,597
<b>Depreciation of Buildings and Equipment</b>	15,415	-	15,415	-	15,415
<b>TOTAL FUNCTIONAL EXPENSES</b>	159,225	9,554	168,779	54,233	223,012
<b>Allocation of Administrative Overhead to Programs</b>	54,100	-	54,100	(54,100)	-
<b>TOTAL FUNCTIONAL EXPENSES AFTER ALLOCATION OF CENTRAL OFFICE OVERHEAD</b>	\$ 213,325	\$ 9,554	\$ 222,879	\$ 133	\$ 223,012

(Continued)

The accompanying notes are an integral part of these financial statements.

2003

	Program Services			Supporting Services Management and General	Total Expenses
	Vocational Training	Bertha Nelson Work Activity Center	Total		
Salaries	\$ 68,180	\$ 5,898	\$ 74,078	\$ 35,640	\$ 109,718
Payroll Taxes	5,161	-	5,161	2,727	7,888
Employee Benefits	16,125	-	16,125	4,913	21,038
Total Salaries and Related Expenses	89,466	5,898	95,364	43,280	138,644
Food	-	3,552	3,552	-	3,552
Insurance	11,985	-	11,985	-	11,985
Interest	3,235	-	3,235	-	3,235
Maintenance & Repairs	914	-	914	-	914
Miscellaneous	-	-	-	306	306
Office Supplies and Postage	647	-	647	-	647
Professional Fees	-	-	-	7,824	7,824
Rent	2,400	-	2,400	-	2,400
Supplies	78	-	78	-	78
Taxes and Licenses	-	-	-	48	48
Telephone	695	-	695	-	695
Training	3,544	-	3,544	-	3,544
Travel	-	-	-	-	-
Utilities	3,897	-	3,897	-	3,897
Vehicle Expense	8,392	-	8,392	-	8,392
Total	125,253	9,450	134,703	51,458	186,161
<b>Depreciation of Buildings and Equipment</b>	9,206	-	9,206	-	9,206
<b>TOTAL FUNCTIONAL EXPENSES</b>	134,459	9,450	143,909	51,458	195,367
<b>Allocation of Administrative Overhead to Programs</b>	51,152	-	51,152	(51,152)	-
<b>TOTAL FUNCTIONAL EXPENSES AFTER ALLOCATION OF CENTRAL OFFICE OVERHEAD</b>	\$ 185,611	\$ 9,450	\$ 195,061	\$ 306	\$ 195,367

**FRANKLIN ASSOCIATION FOR RETARDED CITIZENS, INC.**  
**STATEMENTS OF CASH FLOWS**

	<b>Years Ended June 30,</b>	
	<b>2004</b>	<b>2003</b>
<b>Cash Flows From Operating Activities</b>		
Increase (decrease) in net assets	\$ (23,455)	\$ 20,766
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation and amortization	15,415	9,206
Gain on sale of vehicles	-	(1,500)
Changes in assets and liabilities:		
Accounts receivable	(3,999)	389
Prepaid expenses	(19)	(53)
Accounts payable	(536)	1,391
Payroll taxes payable	1,878	(85)
Total adjustments	12,739	9,348
Net cash provided (used) by operating activities	(10,716)	30,114
 <b>Cash Flows From Investing Activities</b>		
Acquisition of Plant and Equipment	-	(2,129)
Proceeds from sale of vehicle	-	1,500
Net cash used by investing activities	-	(629)
 <b>Cash Flows From Financing Activities</b>		
Payments on capital lease	(12,805)	(8,077)
Rebate on van purchases	-	3,669
Net cash used by financing activities	(12,805)	(4,408)
 <b>Increase (Decrease) in Cash</b>	(23,521)	25,077
 <b>Cash at Beginning of Year</b>	106,053	80,976
 <b>Cash at End of Year</b>	\$ 82,532	\$ 106,053

The accompanying notes are an integral part of these financial statements.

**FRANKLIN ASSOCIATION FOR RETARDED CITIZENS, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED JUNE 30, 2004 AND 2003**

**Note 1 - Description of Organization**

Franklin Association for Retarded Citizens, Inc. (the Association) was established in 1972, incorporated in September 1982, and received their tax exempt status as a 501(c)(3) organization in December 1987. Its purpose is to promote the general welfare of mentally retarded persons residing primarily in Franklin Parish, Louisiana. Its programs are designed to assist and train clients in work activity and self-help skills so they may become productive within the community. The principal program is vocational training of adults, 21 years of age and older.

**Note 2 - Summary of Significant Accounting Policies**

*A. Financial Statement Presentation and Basis of Accounting*

The Association's financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) 117, *Financial Statements of Not-for-Profit Organizations*. Under SFAS No. 117, the Association is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. As of June 30, 2004 and 2003, the Association had no permanently restricted net assets.

The financial statements of the Association have been prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables and other liabilities. Revenues are recognized when earned and expenses are recognized when incurred.

*B. Donated Services*

Members, agencies, businesses, volunteers, and others contribute substantial services toward the fulfillment of projects initiated by the Association. No amounts have been reflected in the financial statements for donated services because the donated services do not meet the requirements for accounting recognition under SFAS 117.

*C. Land, Buildings and Equipment*

Land, buildings and equipment are stated at cost. All donated capital assets are recorded at fair market value on the date of the donation. Depreciation is computed on a straight-line basis over the useful lives of the assets. The Association utilizes estimated lives of 5 years for vehicles and leasehold improvements, 5 to 10 years for furniture and equipment, and 20 to 30 years for buildings.

**FRANKLIN ASSOCIATION FOR RETARDED CITIZENS, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED JUNE 30, 2004 AND 2003**

*D. Leased Equipment Capitalized*

The imputed cost of leased equipment is capitalized and charged to earnings using the straight-line method of amortization over estimated useful lives of five years for financial reporting purposes. Generally, when items of leased property are retired or otherwise disposed of, the cost and related accumulated amortization are removed from the accounts and any resulting gain or loss is reflected in income.

*E. Compensated Absences*

The financial statements do not include an accrual for vacation or sick pay. The Association's policy is that vacation days and/or sick days cannot be carried over to subsequent years.

*F. Functional Expenses*

Expenses that can be identified with a specific program and support service are allocated directly according to their natural expenditure classification. Other expenses that are common to several functions are allocated by various statistical bases.

*G. Programs*

Income classified as Vocational Training is comprised of funds received from the Office of Developmental Disabilities, Louisiana Department of Health and Hospitals. These funds are used to train clients in vocational and prevocational activities and supportive services.

Income classified as Bertha Nelson Work Activity Center is comprised of funds received from the sale of products made by clients and services performed by clients which include janitorial, laundry, car washing and contract services.

*H. Cash and Cash Equivalents*

For purposes of the Statement of Cash Flows, the Association considers demand deposits, time deposits and certificates of deposit with an original maturity of three months or less to be cash equivalents.

*I. Supplemental Cash Flow Information*

Cash paid for interest for the years ended June 30, 2004 and 2003 was \$4,972 and \$3,235 respectively. During 2003 the Association entered into a capital lease, for two Ford vans, which was a non-cash investing and financing activity in the amount of \$59,431.

**FRANKLIN ASSOCIATION FOR RETARDED CITIZENS, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED JUNE 30, 2004 AND 2003**

*J. Tax-Exempt Status*

The Association is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code (the Code) and, therefore, has no provision for Federal income taxes. Contributions to the Association are tax deductible within the limitations prescribed by the Code.

*K. Reclassifications*

Minor reclassifications have been made to the prior year financial statements to make them comparable to the current year presentation.

*L. Accounting Estimates*

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Actual results could differ from those estimates.

**Note 3 - Land, Buildings and Equipment**

Land, buildings and equipment consist of the following at June 30, 2004 and 2003:

	<u>2004</u>	<u>2003</u>
Buildings and Improvements	\$ 59,579	\$ 59,579
Furniture and Equipment	12,176	12,176
Vehicles	83,791	83,791
Leasehold Improvements	3,879	3,879
Land	<u>10,000</u>	<u>10,000</u>
	169,425	169,425
Less: Accumulated Depreciation	<u>(101,705)</u>	<u>(86,290)</u>
Net Land, Buildings and Equipment	<u>\$ 67,720</u>	<u>\$ 83,135</u>

Included in buildings and improvements above is a building valued at \$9,000 acquired through a Federal grant in a previous year. The Association retains title to this asset as long as it is kept, maintained and used for the Association's designated purpose. This building can not be sold or disposed of during its useful life of thirty years, without the grantor's permission; therefore the building less related accumulated depreciation are shown as temporarily restricted. The restriction will be rescinded in 2005.

**FRANKLIN ASSOCIATION FOR RETARDED CITIZENS, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED JUNE 30, 2004 AND 2003**

**Note 4 - Related Party Transactions**

The Association has an operating lease of a building with the President of the Board. The building is used for training clients. The annual lease amount is \$2,400. The lease term is one year with an automatic renewal each year.

**Note 5 - Disclosures About Concentrations**

The Association received over \$175,000 in funding from the State of Louisiana through the Office of Citizens with Developmental Disabilities during the year ended June 30, 2004. This represents over 88% of the Association's revenue.

**Note 6 - Capital Lease**

The Association has a capital lease for certain vehicles with a term of forty eight months and an interest rate of 11% per annum. This lease meets the criteria of capital leases and accordingly has been recorded as such.

Property and equipment include the following amounts for this capitalized lease:

	<u>2004</u>	<u>2003</u>
Vehicle Cost	\$ 59,431	\$ 59,431
Less: Accumulated Depreciation	17,357	5,471
	<u>\$ 42,074</u>	<u>\$ 53,960</u>

Future minimum lease payments under this capital lease, including the present value of minimum lease payments, subsequent to June 30, 2004 are as follows:

2005	\$ 19,393
2006	19,393
2007	<u>9,696</u>
Total minimum lease payments	48,482
Less amount representing interest	<u>6,264</u>
Total obligations under capital lease	42,218
Less current installments of obligations under capital lease	<u>15,515</u>
Long-term obligation under capital lease	<u>\$ 26,703</u>

**FRANKLIN ASSOCIATION FOR RETARDED CITIZENS, INC.  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED JUNE 30, 2004 AND 2003**

**Note 7 - Concentrations of Credit Risk**

Periodically throughout the year, the Association has amounts on deposit at financial institutions exceeding the depository insurance limits. The Association has not experienced any loss as a result of those deposits and does not expect any in the future.

**SUPPLEMENTARY INFORMATION -  
GRANT ACTIVITY**

**FRANKLIN ASSOCIATION FOR RETARDED CITIZENS, INC.**  
**SCHEDULE OF EXPENDITURES OF STATE AWARDS**  
**YEAR ENDED JUNE 30, 2004**

<u>Grantor Program/Program Title</u>	<u>Grant Assistance Number</u>	<u>State Award Amount</u>	<u>State Financial Assistance Current Year</u>	
			<u>Revenue Recognized</u>	<u>Expenditures</u>
Louisiana Department of Health and Hospitals Office for Citizens with Developmental Disabilities	OCDD	\$175,722	\$175,722	\$175,722

See Notes to Schedule of Expenditures of State Awards.

**FRANKLIN ASSOCIATION FOR RETARDED CITIZENS, INC.**  
**NOTES TO SCHEDULE OF EXPENDITURES OF STATE AWARDS**  
**YEAR ENDED JUNE 30, 2004**

**Note 1 - General**

The Schedule of Expenditures of State Awards presents the activity of all state award programs of the Association.

**Note 2 - Basis of Accounting**

The Schedule of State Awards is presented using the accrual basis of accounting, which is more fully described in Note 2 to the Association's financial statements.

**Note 3 - Relationship to Statement of Activities**

State award revenue and Medicaid revenue are included in intergovernmental revenue on the Statement of Activities. Intergovernmental revenue consists of the following:

State Awards	\$ 175,722
Medicaid Revenue	<u>7,584</u>
Total Intergovernmental Revenue	\$ <u>183,306</u>



Hulsey, Harwood & Co.

A Professional Accounting Corporation

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**Certified Public Accountants**

**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Franklin Association for Retarded Citizens, Inc.  
Winnsboro, Louisiana

We have audited the financial statements of Franklin Association of Retarded Citizens, Inc. (a non-profit corporation) (the Association) as of and for the year ended June 30, 2004, and have issued our report thereon dated December 13, 2004. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the Louisiana Governmental Audit guide, issued by the Louisiana Society of Certified Public Accountants and the Louisiana Legislative Auditor.

**Compliance**

As part of obtaining reasonable assurance about whether the Association's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Association's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended for the information of management of the Association, other entities granting funds to the association and the Legislative Auditor for the State of Louisiana and is not intended to be used and should not be used by anyone other than these specified. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

*Hulsey, Harwood + Co .*

December 13, 2004